

Message Text

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SUBJECT: NATIONAL INVESTMENT INCENTIVES AND POLICIES

FOR COMMERCE

REF: STATE A-3725 - PARIS 12374

1. WE HAVE RECEIVED PROPER ENCLOSURE TO REFAIR TELEGRAPHICALLY FROM ROME. REPLIES TO QUESTIONS RAISED ARE AS FOLLOWS.

2. PRESENT STATUS OF LISTED INVESTMENT POLICIES

A. INVESTMENT TAX CREDIT. THIS PROGRAM WAS INSTITUTED IN OCTOBER 1968 AND EFFECTIVELY TERMINATED AT END 1970. SPECIFICALLY NEITHER 5 PERCENT VAT CREDIT NOR 10 PER CENT PROFITS TAX CREDIT (WHICH WERE IN FACT TWO OPTIONS FOR SAME OPERATION) IS AVAILABLE FOR EQUIPMENT BEING ORDERED CURRENTLY. THUS THIS MEASURE IS NOW DEADLETTER.

B. GOVERNMENT APPROVAL OF MEDIUM AND LONG- TERM LOANS CURRENTLY REQUIRED ONLY FOR LOANS TO BE DISCOUNTED THROUGH CREDIT NATIONAL UNTIL 1970 ALL BANK LOANS OVER 25 MILLION FRANCS HAD TO BE APPROVED IN ADVANCE BY BANK OF FRANCE BUT TODAY THEY NEED ONLY BE REPORTED AFTER THE FACT. APPROVAL PROVISIONS SUCH AS THOSE LISTED MAY HAVE BEEN REQUIRED TEMPORARILY DURING CREDIT RESTRAINT PROGRAMS ENFORCED

BEFORE 1970. ACCORDING BANKING SOURCES WE HAVE CONSULTED, THERE ARE NO SIMILAR REQUIREMENTS PRESENTLY IN EFFECT.

C. REGIONAL DEVELOPMENT LOANS NOW MADE BY FDES (ECONOMIC AND SOCIAL DEVELOPMENT FUND) ONLY IN EXCEPTIONAL CASES, GENERALLY TO FIRMS ESTABLISHING THEMSELVES IN AREA NEAR BELGIAN BORDER INTEREST RATE IS 6.75 PER CENT WITH PAYMENT OVER 10-15 YEARS.

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D. LOANS TO STEEL INDUSTRY - WE DO NOT KNOW EXACTLY WHAT IS MEANT BY " RATIONALIZATION LOANS". IN PAST, FDES HAS MADE NUMBER OF LOANS TO STEEL INDUSTRY, INCLUDING ONES COVERING 1.85 BILLION FRANCS OF THE ESTIMATED 7.7 BILLION FRANC COST OF FIRST PHASE FOS STEEL COMPLEX. IN THIS CONNECTION, IT WOULD HELP US ANSWER FUTURE INQUIRIES SIMILAR REFAIR IF WE WERE GIVEN REFERENCES TO SOURCES USED BY DEPARTMENT IN COMPILING ITS INFORMATION

E. TAX INCENTIVES TO BUSINESSES LOCATING IN UNDERDEVELOPED AREAS INCLUDE EXCEMPTION FROM LOCAL BUSINESS TAX (" PATENTE"), REDUCTION OF REGISTRATION DUTY ON TRANSFERS OF REAL PROPERTY AND SPECIAL DEPRECIATION ALLOWANCE ON BUILDINGS.

F. DISICENTIVES TO INVESTMENT IN PARIS COMPRISE CASE BY CASE APPROVAL FOR CONSTRUCTION OF NEW OFFICES BUILDINGS AND A SPECIAL TAX PAID BY COMPANIES LOCATING OR EXPANDING IN PARIS. PROCEEDS OF THIS TAX ARE USED TO FINANCE INVESTMENT IN AND OPERATION OF PUBLIC SERVICES THROUGHOUT FRANCE

3. ADDITIONAL INVESTMENT INCENTIVES

A. REGIONAL DEVELOPMENT GRANTS AND SUBSIDIES WHICH ARE WELL DESCRIBED ON PAGE 4 OF ESTABLISHING A BSINESS IN FRANCE SHOULD BE ADDED TO LIST. DEVELOPMENT GRANTS CURRENTLY VARY BETWEEN 12 AND 25 PER CENT DEPENDING ON REGION WHERE INVESTMENT MADE. THE GRANTS ALSO HAVE NEW LIMITS - 15,000 FRANCS PER JOB CREATED IN A NEW PLANT AND 12,000 PER ADDITIONAL JOB IN AN EXPANDED FACILITY

4. UTILIZATION OF INCENTIVES AND DISINCENTIVES

A. REGIONAL DEVELOPMENT LOANS - IN 1971, FDES MADE ONLY 8 SUCH LOANS AMOUNTING TO 32 MILLION FRANCS. COMPARABLE FIGURES FOR FIRST HALF 1972 WERE 6 LOANS AND 8 MILLION FRANCS.

. TAX INCENTIVES - 325 FIRMS WERE EXCEMPTED FROM LOCAL BUSINESS TAX IN 1971 WHILE AN EQUAL NUMBER RECEIVED REDUCTIONS OF THE REGISTRATION DUTY. 263 WERE GRANTED SPECIAL DEPRECIATION ALLOWANCES.

C. REGIONAL GRANTS-

(1) 356 DEVELOPMENT GRANTS WERE AWARDED IN 1971 AT A COST TO GOF OF 318 MILLION FRANCS. THESE GRANTS HELPED CREATE 45,000 NEW JOBS IN UNDERDEVELOPED REGIONS. COMPARABLE FIGURES FOR FIRST HALF 1972 WERE 195 GRANTS, 127 MILLION FRANCS AND 15,700 JOBS

(2) 34 FIRMS RECEIVED ADAPTATION GRANTS IN 1971 AND 13 IN UNCLASSIFIED

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FIRST HALF 1972. GRANTS WERE WORTH ONLY 3.5 MILLION FRANCS AND 1 MILLION FRANCS, RESPECTIVELY, IN THESE PERIODS.

D. DISINCENTIVES TO INVESTMENT IN PARIS - FRENCH AUTHORITIES IN 1971 REFUSED APPLICATIONS FOR CONSTRUCTION (OR IN FEW CASES UTILIZATION BY DIFFERENT FIRM) OF 225 THOUSAND SQUARE METERS OF OFFICE SPACE IN PARIS. THEY APPROVED 1.5 BILLION SQUARE METERS.

SPECIAL TAX PAYMENTS BY COMPANIES LOCATING OR EXPANDING IN PARIS
WERE AN ESTIMATED 150-200 MILLION FRANCS LAST YEAR. IRWIN

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